

The President's Daily Brief

7 March 1970

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PRINCIPAL DEVELOPMENTS

A remarkably definitive peace proposal was outlined yesterday by a Pathet Lao spokesman in a broadcast from Hanoi. (Page 1)

The war of nerves continues on the Lebanese-Israeli border with Beirut unable to control the fedayeen and Israel determined to eliminate terrorist activity along its border. (Page 4)

The Soviets finally responded to US proposals to ease the Middle East conflict at the four-power talks yesterday. (Page 5)

The Soviets may press hard at the SALT talks for an agreement which would prevent the transfer of strategic weapons to third countries. (Page 6)

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LAOS

A Pathet Lao spokesman issued a statement from Hanoi yesterday that outlines the most explicit Communist terms to date for ending the war. The statement asserts that as a precondition to a political settlement the US must "stop escalating the war, completely cease the bombing of Lao territory without conditions, and withdraw all US advisers and military personnel from Laos." These demands are not new but the statement then goes well beyond previous Pathet Lao pronouncements and spells out what the Communists are prepared to do to end hostilities.

Specifically, the Pathet Lao have indicated that once the bombing is halted, they are prepared to accept a cease-fire. During this period, the Pathet Lao propose that a "consultative political conference composed of representatives of all Lao parties...set up a provisional coalition government." The statement goes on to add that the conference would establish a "security zone" to protect the normal functioning of this coalition government from pressures within or outside of the country.

This security zone proposal reflects Communist sensitivity to their past experiences trying to participate in a government in rightist-controlled Vientiane. While the proposal for a cease-fire would be welcome news in Vientiane, it is not without a price.

The Communists also are insisting that once a stand-down in military operations has been achieved, the "pro-American forces" must withdraw from areas they have "illegally" occupied and resettle all the refugees who have fled Communist-controlled areas of Laos. Furthermore, the Pathet Lao state that once a provisional coalition government has been established, they are prepared to participate in new general elections aimed at creating a new national assembly and government which would be "truly representative of the Lao people of all nationalities."

Hanoi has made it clear that the statement carries North Vietnam's full endorsement and has underscored its importance by allowing the statement to be made from Hanoi and broadcast internationally over the official North Vietnamese news agency.

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The timing of the statement may provide some clues as to its purpose. Issued after the retrieval of the Plaine des Jarres, which until Vang Pao's offensive last year had been in Communist hands since 1963, it comes before the Communists have pushed into sensitive government-held areas. The statement comes at a time when neither side can claim a distinct or clear-cut advantage. It had been widely assumed, for example, that the Communists would have wanted to reintroduce their presence into all areas under their control in 1962 before moving toward negotiations. They have not yet done so and on balance the Communists today control fewer people and no more strategic territory than they did in 1962 or 1963.

This lends some credibility to their offer to seek a "political solution" and it probably will increase its acceptability in Vientiane. At the same time, however, by issuing the statement now, the Communists provide themselves with a political justification for intensified military activity, particularly should Souvanna reject it out of hand. The Communists presumably felt that they had to make some positive sounding response to Souvanna's political offer, first to "neutralize" the Plaine des Jarres and then, more recently, to reconvene the signers of the 1962 declaration.

In making a "complete" cessation of US bombing in Laos--something which Hanoi must calculate would be unacceptable to Washington--a precondition to talks between the Lao factions, North Vietnam may hope to achieve a number of purposes. It is possible that in so doing they may hope to drive a wedge between Souvanna and the US, perhaps even causing Souvanna to publicly call for a cessation of US bombing. But Souvanna has made it clear both in statements to the North Vietnamese ambassador last year and in a press conference only yesterday, that what happens in the infiltration corridor is a subject for settlement between the United States and North Vietnam.

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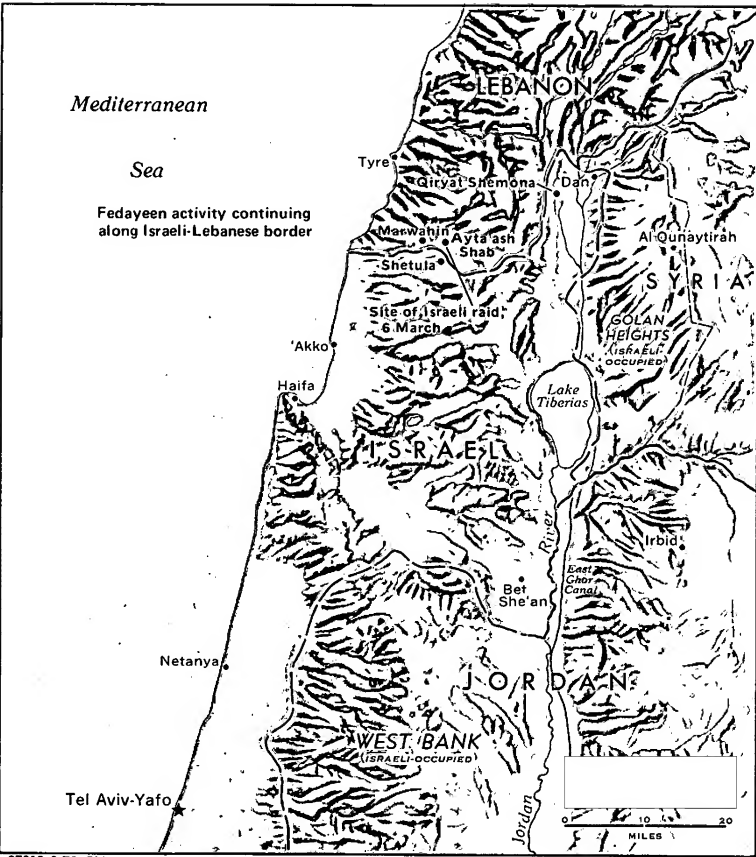
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Even if Souvanna does not lend himself to such manipulation, the North Vietnamese hope the statement provides them with a decided political and propaganda advantage on the issue of Laos and its relation to the war in South Vietnam. The statement is clearly designed, at least in part, to play on growing fears in the US that the Laos war is getting out of hand.

The statement of 6 March may reflect more, however, than simply a North Vietnamese effort to embarrass the US or maneuver Washington into stopping the bombing in the infiltration corridor. It is conceivable, for example, that North Vietnam really wants to tamp down the fighting in North Laos. In the past two years the fighting has been extremely costly in lives and material and has demanded an ever growing number of front-line troops to achieve relatively limited gains.

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LEBANON-ISRAEL

The possibility of fedayeen activity along the Israeli-Lebanese border continues to be a matter of intense concern in Tel Aviv and Beirut. Lebanese President Hilu's assertion to Ambassador Porter on 5 March that a large Israeli force had crossed into Lebanon (see The President's Daily Brief of 6 March) has proven to be unfounded. There was a skirmish in the same general area on that day, but apparently the story was blown out of proportion before it reached Hilu.

Last night Israel carried out what it described as a warning raid across the border into central-southern Lebanon. The Israelis destroyed five houses allegedly associated with fedayeen activity and two Lebanese military posts.

At the root of the Lebanese sensitivity are the Israelis' repeated warnings and their threat to establish a "no-man's land" north of the border if the Lebanese fail to curb fedayeen activity in the area. The Israelis claim there has been an increase in commando activity there in recent weeks, and are concerned by the discovery on 3 March of an explosives cache in a village, and by other isolated terrorist activities.

Israel apparently will not be satisfied until the attacks on its frontier communities cease entirely. Tel Aviv's announced intention to create a unilaterally demilitarized, uninhabited zone along this border eventually may be carried out if terrorism continues.

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USSR - MIDDLE EAST

At the four-power session yesterday the Soviets responded to long-standing US requests to make their position more explicit on the critical issues of withdrawal of Israeli forces and declaration of peace. Soviet representative Malik detailed the Soviet reactions to US peace proposals and elaborated on the USSR's proposals for withdrawal.

Malik's remarks constitute only a slight movement in the USSR's position and have the earmarks of an effort to gain time for further diplomatic--and perhaps military--moves in the Middle East. The Soviet response probably is intended to arouse interest and to put Washington under diplomatic pressure to calm the situation. Malik's statements reinforce other Soviet efforts to persuade the US to withhold a decision on new Phantom jet fighters for Israel and to press Tel Aviv to reduce its level of military activity. This in turn would aid current Soviet efforts to improve Egyptian air defenses.

With respect to Egypt, Moscow may believe that signs of progress in New York will help to put off Egyptian demands for new kinds of military aid that would expose the Soviets to new risks. There is no evidence that any new Soviet weapons system has yet been delivered to the UAR.

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USSR-SALT

On two recent occasions, second secretary Kulikov of the Soviet Embassy in London has tried to elicit US views on an agreement to prevent the transfer of strategic weapons to third countries. Kulikov said that Moscow wants to discuss this topic when the SALT talks resume next month and asked particularly if the US would sell the Poseidon missile to the UK.

The Soviets presented a proposal to prohibit the transfer of delivery vehicles to third countries at the Helsinki talks. Kulikov's remarks suggest that Moscow may pursue the subject with some vigor in an effort to limit US arms sharing arrangements with NATO allies.

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WEST GERMANY

The Bundesbank yesterday raised its discount rate from 6 to 7.5 percent, the highest rate in the postwar period. The cost-of-living index for January was 3.5 percent higher and the index of industrial prices 4.7 higher than those for January 1969.

This sharp rise in the discount rate, following immediately upon the reduction in the UK rate from 8 to 7.5 percent, demonstrates the impatience in West German banking circles with the government's failure to take stronger anti-inflationary measures. It also serves as a warning to business and labor to moderate their price and wage demands.

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